

AMENDED IN SENATE JUNE 15, 2006

AMENDED IN ASSEMBLY MAY 26, 2006

CALIFORNIA LEGISLATURE—2005–06 REGULAR SESSION

ASSEMBLY BILL

No. 2778

**Introduced by Assembly Member Lieber
(Coauthor: Assembly Member Saldana)**

February 24, 2006

An act to amend Section 379.6 of the Public Utilities Code, relating to electricity.

LEGISLATIVE COUNSEL'S DIGEST

AB 2778, as amended, Lieber. Electricity: self-generation incentive program.

Under existing law, the Public Utilities Commission (PUC) has regulatory authority over public utilities, including electrical corporations. Existing law requires the commission, in consultation with the State Energy Resources Conservation and Development Commission (Energy Commission), to administer, until January 1, 2008, a self-generation incentive program for distributed generation resources in the same form that exists on January 1, 2004, subject to certain air emissions and efficiency standards. In a decision, the PUC adopted the California Solar Initiative, which modified the self-generation incentive program for distributed generation resources and provides incentives to customer-side photovoltaics and solar thermal electric projects under 1 megawatt.

This bill would require the commission, in consultation with the Energy Commission, to administer, until January 1, 2012, a self-generation incentive program for distributed generation resources

applicable to all eligible technologies, as determined by the commission, except for ~~photovoltaic solar~~ technologies, which the commission would be required to administer separately, after January 1, 2007, pursuant to the California Solar Initiative. *The bill would require, commencing November 1, 2007, that eligibility for the self-generation incentive program for distributed generation be limited to technologies that comply with the distributed generation certification program adopted by the Air Resources Board.* The bill would require the commission to report to the Legislature by July 1, 2010, with an evaluation of the self-generation incentive program.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 379.6 of the Public Utilities Code is
2 amended to read:
3 379.6. (a) The commission, in consultation with the State
4 Energy Resources Conservation and Development Commission,
5 shall administer, until January 1, 2012, the self-generation
6 incentive program for distributed generation resources originally
7 established pursuant to Chapter 329 of the Statutes of 2000. The
8 extension of the program pursuant to this subdivision shall apply
9 to all eligible technologies, as determined by the commission,
10 except for ~~photovoltaic solar~~ technologies, which the
11 commission shall administer separately, after January 1, 2007,
12 pursuant to the California Solar Initiative adopted by the
13 commission in Decision 06-01-024.
14 (b) *Commencing November 1, 2007, eligibility for the*
15 *self-generation incentive program for distributed generation*
16 *shall be limited to technologies that comply with the distributed*
17 *generation certification program requirements of Article 3*
18 *(commencing with Section 94200) of Subchapter 8 of Chapter 1*
19 *of Division 3 of Title 17 of the California Code of Regulations.*
20 (b)
21 (c) Eligibility for the self-generation incentive program's level
22 3 incentive category shall be subject to the following conditions:
23 (1) Commencing January 1, 2005, all combustion-operated
24 distributed generation projects using fossil fuel shall meet an

1 oxides of nitrogen (NO_x) emissions rate standard of 0.14 pounds
2 per megawatthour.

3 (2) Commencing January 1, 2007, all combustion-operated
4 distributed generation projects using fossil fuel shall meet a NO_x
5 emissions rate standard of 0.07 pounds per megawatthour and a
6 minimum efficiency of 60 percent. A minimum efficiency of 60
7 percent shall be measured as useful energy output divided by fuel
8 input. The efficiency determination shall be based on 100 percent
9 load.

10 (3) Combined heat and power units that meet the 60-percent
11 efficiency standard may take a credit to meet the applicable NO_x
12 emissions standard of 0.14 pounds per megawatthour or 0.07
13 pounds per megawatthour. Credit shall be at the rate of one
14 megawatthour for each 3.4 million British thermal units (Btus) of
15 heat recovered.

16 (4) Notwithstanding paragraphs (1) and (2), a project that does
17 not meet the applicable NO_x emission standard is eligible if it
18 meets both of the following requirements:

19 (A) The project operates solely on waste gas. The commission
20 shall require a customer that applies for an incentive pursuant to
21 this paragraph to provide an affidavit or other form of proof, that
22 specifies that the project shall be operated solely on waste gas.
23 Incentives awarded pursuant to this paragraph shall be subject to
24 refund and shall be refunded by the recipient to the extent the
25 project does not operate on waste gas. As used in this paragraph,
26 “waste gas” means natural gas that is generated as a byproduct of
27 petroleum production operations and is not eligible for delivery
28 to the utility pipeline system.

29 (B) The air quality management district or air pollution control
30 district, in issuing a permit to operate the project, determines that
31 operation of the project will produce an onsite net air emissions
32 benefit, compared to permitted onsite emissions if the project
33 does not operate. The commission shall require the customer to
34 secure the permit prior to receiving incentives.

35 (e)

36 (d) In administering the self-generation incentive program, the
37 commission may adjust the amount of rebates, include other
38 ultraclean and low-emission distributed generation technologies,
39 as defined in Section 353.2, and evaluate other public policy

- 1 interests, including, but not limited to, ratepayers, and energy
2 efficiency and environmental interests.
3 ~~(d)~~
4 (e) On or before July 1, 2010, the commission shall report to
5 the Legislature with an evaluation of the self-generation
6 incentive grant program.